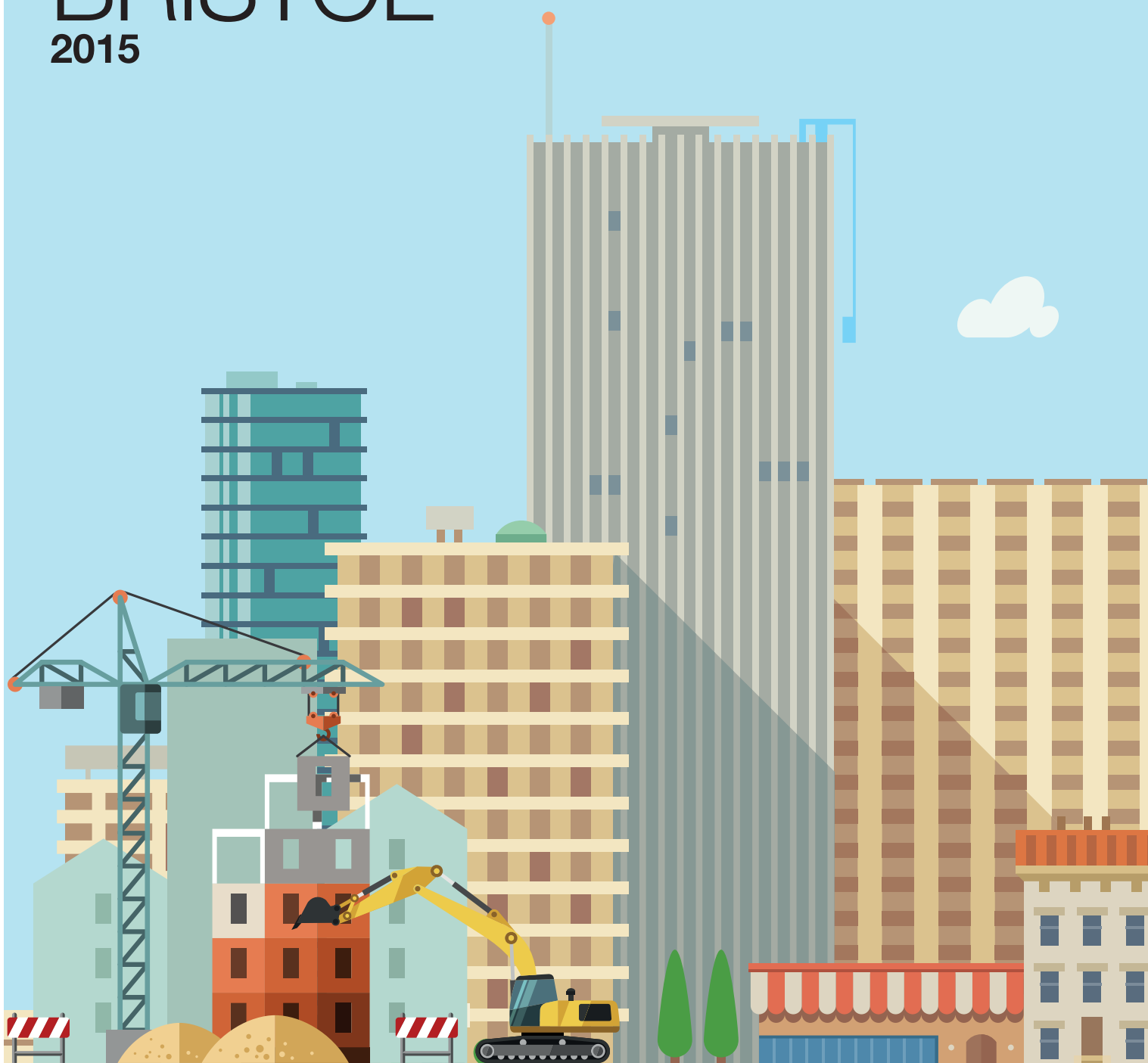


FOCUS ON: BATH AND BRISTOL

2015



46%

Growth in prices in Bristol
2004 - 2015

42%

Growth in residential prices
in Bath and North East
Somerset 2004 - 2015

OVERVIEW

Bristol's Clifton Suspension Bridge and the Royal Crescent in Bath are two of the most instantly recognisable landmarks in England. These cities may have a rich historical heritage, but as this report shows, they are firmly focused on the future.

Bristol is the second largest city in the South of England, and is hosting one of the largest urban regeneration projects currently taking place in the country.

Bath, meanwhile, has been designated a UNESCO World Heritage Site and plans have been approved to press ahead with a £1 billion Enterprise Area which will create thousands of new jobs and homes over the next 14 years.

Both cities boast wide cultural offerings, buoyant economies and good access to London, they also share an increased commitment to new infrastructure, investment and home-building.

One of the key infrastructure changes in the coming years will be the trimming of commuting times from Bristol to London by rail, as examined on page 4. The relative price differential between housing in the capital and these regional centres is also starting to attract more attention among buyers.

Added to this, the area around Bristol and Bath is already a well-established hub for aerospace engineering and

microelectronics, and is now second only to London as a digital and tech centre. This is reflected in the economic growth in the two cities, as examined on page 3. Investment in the region continues, with 37 companies opting to set up a base in the region in the year to April 2015 alone.

All of these factors are likely to boost activity in residential property markets.

Economic and residential market analysis

Over the last decade, the mainstream housing markets in both Bristol and Bath and North East Somerset have far outperformed the average, with prices rising by 46% and 42% respectively, compared to a 30% rise across England and Wales (figure 4).

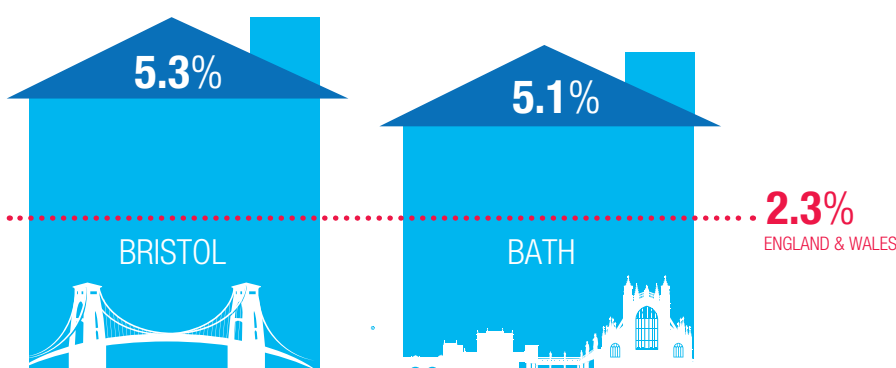
In the prime markets, price growth is also higher in these city markets than across the rest of the country. Annual price growth in the year to the beginning of July was 5.1%, compared to 2.3% across the rest of the prime country markets (figure 1). This reflects the demand for prime property in city centre locations, which is also underlined by a 17% rise in the number of potential buyers registering their interest in buying in Bristol with Knight Frank between 2013 and 2014, and a 28% jump in sales volumes over the same period.

Prime prices in Bath rose by 5.3% in the year to July, with average values in Lansdown seeing the biggest price increase at 7.5%.

In terms of annual economic growth, forecasts suggest that Bristol and Bath will outperform the South West this year

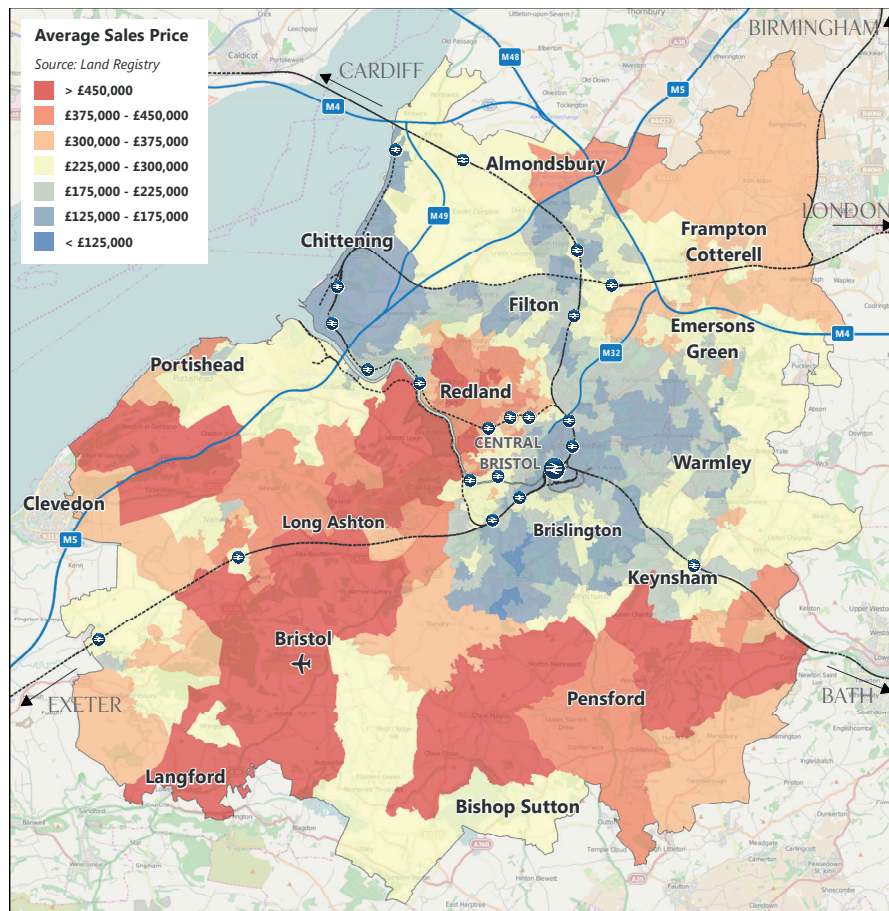
FIGURE 1

Prime residential price change Annual change, year to end Q2 2015



Source: Knight Frank Residential Research

FIGURE 2
Bristol: Residential price heat map (last 12 months)



Source: Knight Frank Residential Research

– both cities are slated to record 2.9% growth in GVA, a measure of economic performance, in 2015, compared to 2.4% for the wider region. On this basis, Bristol and Bath will also surge past a predicted 2.6% annual growth in GVA for the UK as a whole next year (figure 3).

Looking further ahead, the forecasts suggest that these two cities will continue to outperform the South West region. According to data provided by Experian, by 2023 annual economic growth across the South West will still be at 2.4%, with Bristol securing 2.9% and Bath recording 2.5% growth.

Bristol focus

Bristol has long been a city of strategic importance thanks to its maritime links and relatively easy access to London.

The housing market there has been robust, but as with many areas of the UK, the supply of new housing has struggled to keep up with demand, especially in recent years as economic growth has started to power up.

The city's credentials as a financial and technology hub mean that there is renewed job creation, furthering the need for new housing, especially in the heart of the city.

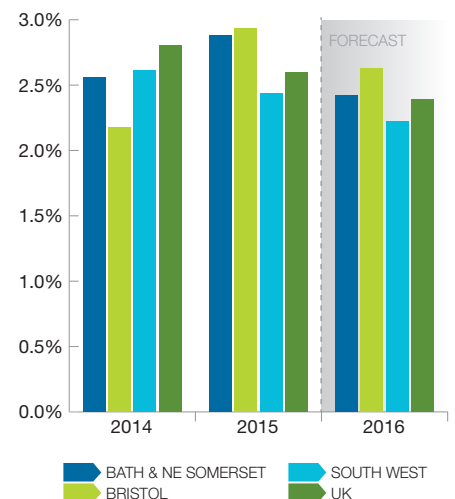
Perhaps the most high profile re-generation project is Bristol Temple Quarter – an enterprise zone comprising a 70 hectare area in the heart of the city with Temple Meads railway station at its centre.

It is estimated that it will take another 22 years to complete and, in the process, create 17,000 jobs. Some 350 businesses are already in the zone

19.3%

Forecast rise in property prices in the South West (2015-2019)

FIGURE 3
Economic growth
Annual GVA growth



Source: Experian

including well known names such as BT, IBM, Canada Life and HSBC. In addition, a number of SMEs, particularly in the creative and digital sectors, are moving into the area.

The strength of Bristol's economy is further evidenced by the range of initiatives taking place within and on the periphery of the Enterprise Zone.

These include Engine Shed, Brunel's original train station and now a Grade I listed building which has recently benefitted from a £1.7 million transformation. It is predicted that Engine Shed will generate 5,000 high-value jobs in the next 15 years in the high-tech, creative and low carbon sectors.

A brand new 12,000-person capacity Arena, is also on the cards now that a funding package has been agreed – it is due to open in 2017.

Given the scale of job creation, it is perhaps little surprise that the number of households in the city is forecast to

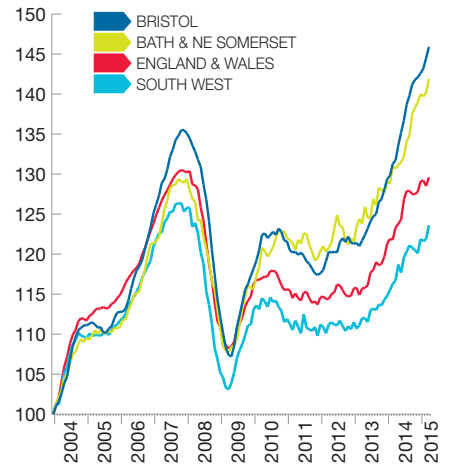
grow by 26% between 2012 and 2037. This will mean an additional 47,000 households. If we assume average residency of 2.3 adults, that equates to adding the population of Swansea to Bristol over the next two decades (figure 7).

However, the supply of new homes is still lagging. The annual increase in households is nearly 2,000, and while there are 6,634 residential units in the planning process or where planning as been granted, according to data from Glenigan, work has so far only started on schemes containing some 967 new homes.

Bath focus

Known the world over for Jane Austen and its Roman Baths, Bath already enjoys enviable status as an international tourist destination and has a wealth of museums, Georgian streets and other attractions that mark it out as a desirable place to live and visit,

FIGURE 4
House price performance compared
Average house prices (indexed 100=2004)



Source: Macrobond

THE TRANSPORT FACTOR



RAIL

Bristol may be playing host to local regeneration and job creation, but the ability for workers to travel to London is also key factor in this city market.

Data from the 2011 Census suggests that more than 54,000 Bristol residents commute to work outside the city.

Bristol is already well positioned for people wishing to commute to the capital, but this journey will become quicker and more comfortable from 2017.

Under improvements being made to both the track and the trains, including the introduction of new electric trains and an electrification of the line between London Paddington and South Wales, Network Rail predicts a reduction in journey time between London and Bristol Parkway of "around 15 minutes".

The actual change in journey time cannot be confirmed until the trains are running.

Depending on the train taken, this could result in an average travelling time to London between around 1hr 10 mins and 1hr 15 mins, bringing the city into line with other areas with notable numbers of commuters, such as North Oxfordshire, Ipswich and Southampton.

From 2018, new train timetables could result in a further reduction in travel times as more direct train routes to the capital may be introduced.

While there will be no significant cut in train times on the London to Bath route in 2017, the upgrade to the trains used will result in more comfortable journeys.



AIRPORT

There are plans to inject a further £24 million into improvements at Bristol

Airport, one of the largest investments in its history. This comes just after an extension of the terminal and jetway allowing Boeing Dreamliners to depart from and land at the airport. There are already flights to all major European destinations, and there are hopes that the recent works could result in new routes from Bristol to New York and other international destinations, including those in the Middle East and Asia-Pacific regions.



CABLE CAR

There are plans to build a cable car between Mulberry Park, on the southern hills of Bath and the city centre. The topography currently means few people walk or cycle between the two. Curo, the housing association behind the plans, says that it will boost connectivity for both residents and businesses.

including a compact city centre with a good retail offering.

Behind the Georgian facades however, Bath is also home to a cluster of leading software consultancies – indeed the city was named by NESTA as one of the UK’s top ten tech clusters in the UK in 2010.

Looking forward, the local council has ambitious plans to grow the value of the city’s economy by a further £1 billion by 2026, creating some 10,000 new jobs.

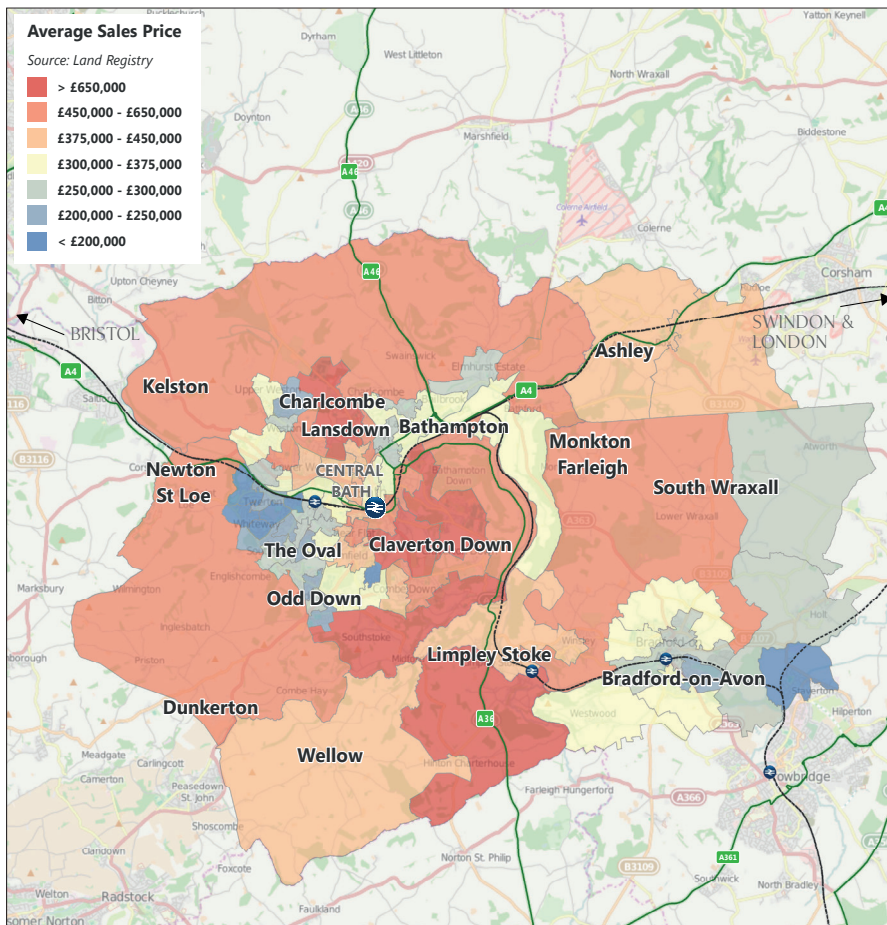
The city is also undertaking large-scale regeneration. Perhaps the notable project is Bath City Riverside Enterprise Area. Covering a total area of 98 hectares, it has the potential to accommodate up to 9,000 new jobs and 3,400 homes along the river corridor and in central

and western Bath. The council believes it could increase the value of the Bath economy by £620 million a year.

The number of households in Bath and North East Somerset is forecast to grow by around 15% over the next two decades, according to government figures, or around 500 a year (figure 4). The pipeline supply of new-build development in Bath indicates there are 2,817 residential units in the planning system or with permission granted. However construction work has only started, or is due to start imminently, on 887 units in and around Bath.

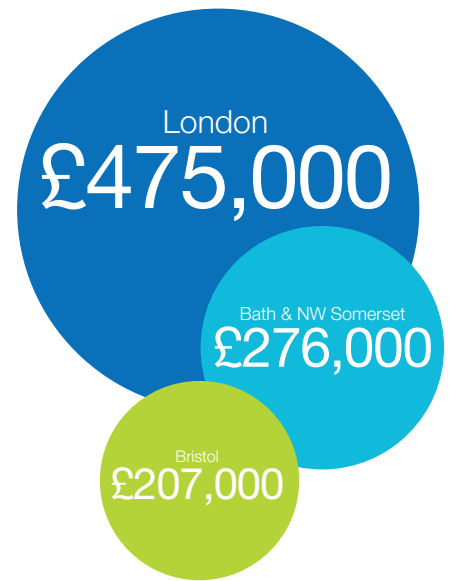
Knight Frank forecasts show that average prices in the South West are expected to rise by 4% this year – and by more than 19% over the next 5 years.

FIGURE 5
Bath: Residential price heat map (last 12 months)



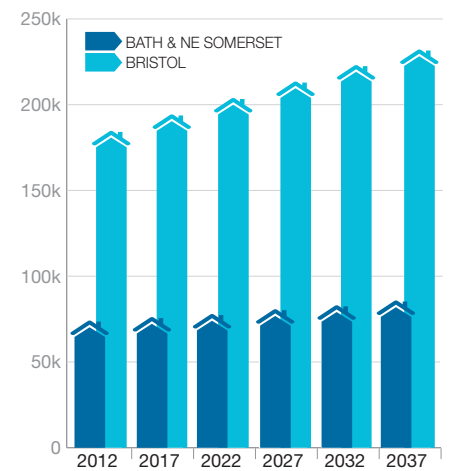
Source: Knight Frank Residential Research

FIGURE 6
Average price of a semi-detached home in...



Source: Knight Frank Residential Research

FIGURE 7
Forecast growth in households in Bath and Bristol



Source: DCLG



Knight Frank Residential Market Forecast August 2015

	2014	2015	2016	2017	2018	2019	2015-2019
Mainstream residential sales markets							
UK	7.2%	3.5%	2.5%	3.0%	4.0%	4.0%	18.2%
London	17.8%	3.5%	4.0%	5.0%	5.5%	5.5%	25.8%
South East	10.6%	5.0%	3.0%	3.5%	5.0%	5.0%	23.4%
South West	8.0%	4.0%	2.5%	3.0%	4.5%	4.0%	19.3%
East Anglia	9.8%	4.5%	3.0%	3.5%	4.5%	5.0%	22.2%
East Midlands	6.0%	3.5%	2.0%	2.5%	4.0%	4.0%	17.0%
West Midlands	6.8%	3.5%	2.0%	2.5%	4.0%	4.0%	17.0%
North East	4.4%	3.0%	2.0%	2.0%	3.0%	3.5%	14.2%
North West	3.8%	3.0%	1.5%	2.0%	3.5%	3.5%	14.2%
Yorkshire & Humber	1.5%	3.0%	2.0%	2.0%	3.5%	3.5%	14.8%
Wales	1.4%	3.0%	2.0%	2.5%	4.0%	4.0%	16.5%
Scotland	4.2%	3.5%	2.5%	3.0%	4.0%	4.0%	18.2%

Source: Knight Frank Residential Research

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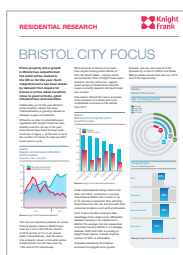
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